# CONTRACT #3 RFS # 317.15-004

# Department of Finance & Administration Division of Health Planning

VENDOR: Express Scripts, Inc.





APR 2 7 2006

### FISCAL REVIEW

# STATE OF TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION DIVISION OF HEALTH PLANNING

312 Eighth Avenue North Suite 1200 William R. Snodgrass Building Nashville, Tennessee 37243-0287 Phone (615) 253-2861 Fax (615) 532-6950

DAVE GOETZ COMMISSIONER LAURIE LEE DIRECTOR

#### **MEMORANDUM**

TO:

Dave Goetz, Commissioner, Finance and Administration

Jim White, Executive Director, Fiscal Review Committee

FROM:

Laurie Lee

DATE:

April 27, 2006

RE:

Express Scripts Amendment 5 to Contract FA-06-16458

Please find attached a request for Non-Competitive Amendment to the Express Scripts contract. This Amendment does three things: 1) Extends the term of the contract from June 30, 2006 to December 31, 2006 for non-dual eligible TennCare disenrollees 2) Reduces the maximum liability to reflect what we expect to be the costs of the program and 3) Changes some of the program fees to accomplish the extension.

This Amendment will enable current program participants to continue their access to needed prescription drugs until a successor pharmaceutical assistance program is established through competitive bid by January 1, 2007. Using the existing program contract minimizes confusion to program participants and leverages the current program enrollment systems. The extension allows us to structure the new program most appropriately within the context of other insurance coverage and safety net proposals that are pending consideration by the General Assembly in this session. We will then be able to develop an RFP that best meets the needs of the populations we are trying to serve.

I have attached the Non-Competitive Amendment Request, the draft Amendment 5, Contract Summary Sheet and copies of the main contract and current amendments. I am happy to answer any questions regarding this request. Thank you for your consideration.

## REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED	
M.D. Lather	
Commissioner of Finance & Administration  Date: 4/27/06	

EACH RI	EQUEST ITEM BELOW <u>MUST</u> BE DETAILED OR ADDRESSED <u>AS RE</u>	QUIRED.			
1) RFS#	317.15.004-05				
2) State Agency Name :	Finance and Administration				
	EXISTING CONTRACT INFORMATON				
3) Service Caption :	Pharmacy Benefit				
4) Contractor:	Express Scripts, Inc.				
5) Contract #	FA-06-16458-00				
6) Contract Start Date :		7/01/05			
7) <u>Current</u> Contract End Dat	e IF <u>all</u> Options to Extend the Contract are Exercised :	6/30/06			
8) <u>Current</u> Total Maximum C	Cost IF all Options to Extend the Contract are Exercised :	\$54,364,000			
	PROPOSED AMENDMENT INFORMATION				
9) Proposed Amendment#		5			
10) Proposed Amendment Et (attached explanation requ	ffective Date ; ired if date is < 60 days after F&A receipt)	07/01/06			
11) <u>Proposed</u> Contract End I	11) Proposed Contract End Date IF all Options to Extend the Contract are Exercised : 12/31/2006				
.12) <u>Proposed</u> Total Maximum	12) Proposed Total Maximum Cost IF all Options to Extend the Contract are Exercised: \$46,000,000				
13) Approval Criteria: use of Non-Competitive Negotiation is in the best interest of the state (select one)					
only one uniquely qualified service provider able to provide the service					
14) Description of the Propo	sed Amendment Effects & Any Additional Service:				
This proposed Amendment extends end date of the program for TennCare disenrollees, changes program fees accordingly and reduces the maximum liability of the contract.					
15) Explanation of Need for the Proposed Amendment :					
The Amendment extends acce	The Amendment extends access to the current program through December 31, 2006. This enables TennCare disenrollees to access				

the covered medications through the existing program until a successor pharmaceutical assistance program is established through competitive bid by January 1, 2007. The Amendment also reflects the projected total cost of the contract through December 31, 2006.
16) Name & Address of Contractor's Current Principal Owner(s):  (not required if proposed contractor is a state education institution)
Express Scripts, Inc.
13900 Riverport Drive
Maryland Heights, MO 63043
17) Documentation of Office for Information Resources Endorsement :  (required only if the subject service involves information technology)
select one: Documentation Not Applicable to this Request Documentation Attached to this Request
18) Documentation of Department of Personnel Endorsement : (required only if the subject service involves training for state employees)
select one: Documentation Not Applicable to this Request Documentation Attached to this Request
19) Documentation of State Architect Endorsement :  (required only if the subject service involves construction or real property related services)
select one: Documentation Not Applicable to this Request Documentation Attached to this Request
20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :
The Department determined that the most expeditious and cost-effective approach to provide this service was through the existing contract. The extension through the existing retail network leverages the State's investment in the current infrastructure of the program and keeps in place access to needed prescription drug while the program is rebid. The ability to use the current eligibility and communication system for this program necessitated the use of the current vendor, who has these systems already in place specifically for the disenrolled TennCare population.
21) Justification for the Proposed Non-Competitive Amendment :
Because this extends an existing program, the Department determined that a non-competitive Amendment was the best alternative. This option minimizes disruption and confusion to the population and maximizes the existing infrastructure for program implementation. The Department saves both money and time by using the current vendor for this additional service, which benefits the disenrollees and the State. A replacement program will be bid through competitive procurement for those low-income uninsured for whom medication is critical for daily functioning.
REQUESTING AGENCY HEAD SIGNATURE & DATE:  (must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)
1/26/06
Agency Head Signature Date

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Contractor 1 Express So	State and the second se		gyta Otto					<u> Jacobson (m. 1948) (m. 1954) (m. 1973)</u>
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Andreas August 1985	leights, MO 63043		基型原品		1.515 # 4 x 1.515 # 20			
Extends c	ontract end date so the	at current participants	are no	t without pharn	nacy a	assistance v	vhile a	a new program is rebid;
	hanges to program fed	es and reduction of the Contract End Date	e maxii	SUBRECIPIE	NT or	VENDOR?	110	CFDA#
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FY		Federal	Inter	epartmental »		( Nomen	124K 24	**TOTAL Contract Amount \$34,500,000.00
2006	\$34,500,000.00			· · · · · · · · · · · · · · · · · · ·	-			\$11,500,000
2007	\$11,500,000							\$46,000,000
TOTAL:	\$46,000,000	erise da voca compa sociolor i minoro de descent	SPECE CONTRACTOR	errore kine and compare		A Committee Committee	(A) (A) (A)	
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EY	Base Contract &	THIS Amendment	20 <sup>th</sup> F	loor, Fennessee	Towe	er, 312 8 <sup>th</sup> Av	e. Nor	th
	Prior Amendments	ONLY:	Nash\ 741-6	ille, TN 37243 070			_	
2006	\$54,364,000.00	(19,864,000)	State	Agency Budge	t Offic	er Approva	Pi-Roby	
2007		11,500,000	of the last companying of					
<u> </u>			1					
			Fund	ing Certificatio	n (certi	fication, requir	ed by	C.C.A., § 9-4-51.13, that there is
			a bala paid th	nce in the appropriation	iation f e encur	rom which the mbered to pay	obliga obliga	ted expenditure is required to be tions previously incurred)
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TOTAL:	\$54,364,000.00	(\$8,364,000)	1					
End Date:	06/30/06	12/31/06	1					
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			rican	<del></del>		-		
Asian Female Native American OTHER minority/disadvantaged— Contractor Selection Method								
RFF		Com	petitive	Negotiation			Altern	ative Competitive Method
Non-Competitive Negotiation Governme		-	-			Other		
Procureme	nt Process Summary							
The Department determined it in the best interest of the State and program participants to extend the existing contract while a new program is bid through the competitive procurement process. This process has already been initiated through an RFI, which has been completed and the RFP development process has begun. We anticipate this process to be completed in time for start of a new program by January 1, 2007. This amendment will ensure that current program participants will not have a gap in access to prescription drugs while the program is rebid.								

#### **AMENDMENT 5** TO CONTRACT FA-06-16458-00

This Contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the State, and Express Scripts, Inc., hereinafter referred to as the "Contractor", is hereby amended as follows:

Delete the following Sections. 1.

Delete Section A.1.c in its entirety and insert the following in its place:

Claims adjudication services. The Contractor shall process and pay all claims for services A.1.c delivered through December 31, 2006.

Delete Section B.1. in its entirety and insert the following in its place:

Contract Term. This Contract shall be effective for the period commencing July 1, 2005 and B.1. ending on December 31, 2006. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

Delete Section C.1. in its entirety and insert the following in its place:

Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed C.1. Forty-six Million Dollars (\$46,000.000); inclusive of payment for pharmaceuticals. The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

Delete Section A of Statement of Work #2 and replace it in its entirety with the following:

- A. Participants who are not Severely and Persistently Mentally III (SPMI) or Medicare-eligible
  - 1) Auto Enroll all Participants into the Rx Outreach Program via an electronic feed from the

2) Preload Eligibility for Participants in Rx Outreach

3) Each patient will receive unlimited generics through RxOutreach at no charge to the individual patient through December 31, 2006

State will responsible for \$18.00 per prescription for qualified Participants

5) Prescriptions will only be dispensed a 90 day supply

6) Controlled medications will be dispensed according to Missouri Pharmacy Law

Delete Section C of Statement of Work #2 and replace it in its entirety with the following:

### C. SPMI Participants

1) Auto Enroll all Participants into the Rx Outreach Program via an electronic feed from the

Preload Eligibility for Participants in Rx Outreach

3) Each patient will receive unlimited generics through RxOutreach at no charge to the individual patient for through December 31, 2006

State will be responsible for \$18.00 per prescription for qualified Participants

5) Prescriptions will not be dispensed for more than a 90 day supply

6) Controlled medications will be dispensed according to Missouri Pharmacy Law

Delete Exhibit A of Statement of Work #3 in its entirety and insert the following in its place:

#### **EXHIBIT A TO STATEMENT OF WORK #3 Express Access Discount Card** Table 1: Retail Pharmacy Pricing

	Express Access @ash Nework
Brand AWP Discount	Lower of negotiated pharmacy rate or MAC
Generic AWP Discount	Lower of negotiated pharmacy rate or MAC
Dispensing Fee/Rx	\$3.50
Administrative Fee/Rx	\$1.25*
Usual & Customary	U&C - \$1.00
Sales Tax, Excise Tax or Other Governmental Surcharge	As Applicable

\*The Parties acknowledge that Contractor retains a portion of the Dispensing Fee charged to Participants on claims approved at the Express Access contracted discounts. Actual discounts, dispensing fees and the amount of the Dispensing Fee retained by Express Scripts may vary by store. Contractor retains no portion of the Dispensing Fee on claims approved for Participants at the rate of the Usual & Customary Fee minus \$1.

#### SPMI Assistance Program Table 2: Retail Pharmacy Pricing

	Reall Nework 50,000 - Phaimades
Brand Discount	Pass through of the pharmacy reimbursement, which is the lower of:  • Pharmacy contracted rate estimated at AWP-14.9% + dispensing fee, or  • U&C price

Pass through of the pharmacy reimbursement, which is the lowest of:  • MAC (estimated average of AWP-62.5%) + dispensing fee;  • Pharmacy contracted brand discount + dispensing fee; or  • U&C price
Pharmacy contracted rate (estimated at \$2.00/Rx)
Pharmacy contracted rate (estimated at \$2.10/Rx)
\$1.25*
AWP-13% + \$2.75 dispensing fee
Pass through 100%

### **Administrative Fees**

	Pag 4 Francisco
REMISOVICES	
Customer Service for Participants	No additional fee
▲ Fligibility submission	No additional fee
Electronic/on-line submission	No additional fee
FSA Feeds	\$1.00/update (includes initial entry)
Manual/hardcopy submission	No additional fee
<ul> <li>Software Training for Access to Our On-Line System(s)</li> </ul>	No additional fee
Electronic Claims Processing	Not provided
Participant Submitted Paper Claims Processing	Not provided
◆ COB (Coordination of Benefits)	No additional fee
Standard Process (reject for primary carrier)	Not provided
Medicare Coordination (+65 population)	No additional charge
♦ Program Setup	
Partiopating Pharmages	
Pharmacy Audit Recoveries	20% of audit recoveries
Pharmacy Heip Desk	No additional fee
Pharmacy Network Management	No additional fee
Pharmacy Reimbursement	No additional fee
Network Development Upon Request	No additional fee
Mail Spivices	
	No additional fee
Benefit Education (includes Mail Promotion Program)	No additional fee
♦ Prescription Delivery – standard	
Raponling Services (1)	No additional fee
Web-based Client Reporting – produced by State	\$100 per report
Web-based Client Reporting – produced by Contractor	No additional fee
Ad hoc desk top parametric reports	No additional fee
◆ Additional Reports	No additional fee
Billing Reports (including claims paid tape)	No additional fee
Annual Strategic Account Program Report	\$150 per hour, with a minimum of \$500
Programming for Custom Ad-Hoc Reporting (applicable)	ψ.100 por (104) 1771
only if IS programming is required)	No additional fee (avail. upon request)
Claims detail extract file electronic (NCPDP format)	

Inquiry access to claims processing system	No additional fee; State to pay its own connection charges
Formulativ Supplem Services	
<ul> <li>Annual Formulary Communications</li> <li>Posted at <a href="https://www.express-scripts.com">www.express-scripts.com</a></li> <li>Mailed to Participant's homes</li> <li>Bulk shipped to State</li> </ul>	No additional charge Additional charge TBD No additional charge
<ul> <li>Website</li> <li>Digital Certificates <ul> <li>Up to 5 certificates</li> <li>More than 5 certificates</li> </ul> </li> </ul>	No addition I fee Up to \$150 or additional users
<ul> <li>Express-Scripts.com for Clients—access to reporting tools, eligibility update capability, contact directory, sales and marketing information, and benefit and enrollment support</li> </ul>	No additional fee
Express-Scripts.com for Participants—access to benefit, drug, health and wellness information; prescription ordering capability; and customer service	No additional fee
Implementation/Package and Panticipanticommunications	Fee No additional charge
◆ Implementation Support Participant Packets: Standard Participant Materials or ID card packets, which contain the following: 2 standard ID cards & carriers, confidentiality and disclosure statement, and mail	
order form.  Mailed to State  Mailed directly to Participants  Replacement Cards  Customized materials	No additional charge No additional charge No Additional charge Priced upon request
Customized materials	

Delete Exhibit C in Amendment 1 in its entirety and insert the following in its place:

# <u>Exhibit C</u> Pricing and Financial Disclosure

#### <u>Fees</u>

Communications	
Participant communications & ID cards	\$4.00 per participant
Rx Outreach at Retail Rx Outreach Claims	\$18.00 per claim (includes administrative fee)
Diabetic Program  Covered Brand Medications	The lower of AWP-14.9% plus \$2.00 dispensing fee or U&C
Covered Generic Medications	The lower of:  AWP-14.9% plus \$2.00 dispensing fee or  MAC (estimated average of AWP-65%) plus \$2.10 dispensing fee or  U&C

Administrative fee for Covered Medications	\$1.25 per claim
Rebates	Pass through 100%

### Other Administrative Fees

<u> </u>		
3		
BEIM	Sarviga	TEIOG
		No additional fee
<b>•</b> 1	Eligibility submission  Electronic/on-line submission	No additional fee
	FSA Feeds	to adortional fet
	Manual/hardcopy submission	\$2,00/(podate (includes initial entry)
_	Software Training for Access to Our On-Line System(s)	No additional fee
	Electronic Claims Processing	No additional fee
	Participant Submitted Paper Claims Processing	Not provided
<u> </u>	COB (Coordination of Benefits)	
•	Standard Process (reject for primary carrier)	No additional fee
	Medicare Coordination (+65 population)	Not provided
•	Program Setup	No additional charge
P	Consisting Physical 2013.	
		20% of audit recoveries
	Pharmacy Audit Recoveries	No additional fee
	Pharmacy Help Desk	No additional fee
	Pharmacy Network Management	No additional fee
	Pharmacy Reimbursement	No additional fee
<b>♦</b>	Network Development Upon Request	Control of the second of the s
(VIa)	I Sanyi esa	
<b>*</b>	Benefit Education (includes Mail Promotion Program)	No additional fee
+	Prescription Delivery - standard	No additional fee
Rep	onting Services	
MANAGE AND A	Web-based Client Reporting – produced by State	No additional fee
<u></u>	Web-based Client Reporting – produced by Contractor	\$100 per report
•	Ad hoc desk top parametric reports	No additional fee
•	Additional Reports	10-
•	Billing Reports (including claims paid tape)	No additional fee No additional fee
	Annual Strategic Account Program Report	
+	Programming for Custom Ad-Hoc Reporting (applicable only if	\$150 per hour, with a minimum of \$500
	IS programming is required)	No additional fee (avail. upon request)
•	Claims detail extract file electronic (NCPDP format)	No additional fee (avair. upon request)
	11	No additional fee; State to pay its own connection
•	Inquiry access to claims processing system	charges
	mulanySupport Services	
•	Annual Formulary Communications  • Posted at www.express-scripts.com	No additional charge
		Additional charge TBD
	Mailed to Participant's homes	No additional charge
	Bulk shipped to State	110 ###################################
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<ul> <li>Digital Certificates</li> <li>Up to 5 certificates</li> <li>More than 5 certificates</li> </ul>	No additional fee Up to \$150 for additional users
<ul> <li>Express-Scripts.com for Clients—access to reporting tools, eligibility update capability, contact directory, sales and marketing information, and benefit and enrollment support</li> </ul>	No additional fee
<ul> <li>Express-Scripts.com for Participants—access to benefit, drug, health and wellness information; prescription ordering capability; and customer service</li> </ul>	No additional fee
Implementation Rackage and Participant Communications  Implementation Support	No additional charge
Participant Packets: Standard Participant Materials or ID-eard packets, which contain the following: 2 standard ID cards & amers confidentiality and disclosure statement, and mail order form  Customized & mailed directly to Participants  Replacement Cards	54.00 per participant No additional charge

### FINANCIAL DISCLOSURE TO ESI PBM CLIENTS

In addition to the administrative fees paid to Express Scripts by our clients, Express Scripts derives margin in one or more of the following ways. These other revenue sources have allowed Express Scripts to keep administrative fees to clients low. The specific terms of Express Scripts' contracts with clients will affect the relative importance of these sources of margin with respect to that client.

- 1. Network Pharmacy Contracts. Express Scripts contracts with retail pharmacies to provide prescription drugs to members of health plans sponsored by clients. The rates paid to these pharmacies differ from network to network, and among pharmacies within a network. Express Scripts generally contracts with clients to be paid an ingredient cost for drugs dispensed in a retail network at a uniform rate that applies to all pharmacies in the network that the client has selected for its plan. Thus, Express Scripts may realize a positive or negative margin on any given prescription. In addition, the payment terms under our client contracts may result in our receiving payments from our clients before we are required to pay network pharmacies. In such cases we retain the benefit of the use of these funds until we pay the network pharmacies.
- 2. <u>Mail Pharmacy Rates.</u> ESI Mail Pharmacy Service, Inc. purchases prescription drugs to be dispensed from its mail service pharmacies either from a prescription drug wholesaler or directly from the manufacturer. Express Scripts' contracts with clients contain rates that we will be paid for dispensing these drugs that may be greater or less than Express Scripts' acquisition cost on any given prescription. In general, Express Scripts realizes an overall positive margin between acquisition cost and the amounts paid by clients.
- 3. Manufacturer Rebates and Associated Administrative Fees. Express Scripts contracts with pharmaceutical manufacturers for retrospective discounts, or rebates, on the utilization of certain branded prescription products by applicable Members. Often, a portion of these rebates is paid to clients in connection with their pharmaceutical benefit management services, which payments are made in accordance with terms specified under the agreement with Express Scripts. Express Scripts typically receives rebates from pharmaceutical manufacturers before such payments are owed to clients, and Express Scripts retains the benefit of funds held until payment is made to a client. If a client has contracted to receive a portion of Express Scripts' rebates, the client has the right to audit the computation of payments owed to the client. Express Scripts maintains extensive systems and processes necessary for managing and administering its rebate programs. As partial consideration for these efforts, pharmaceutical manufacturers pay administrative fees to Express Scripts in addition to amounts attributable to rebates. Administrative fees retained by Express Scripts in connection with its rebate

programs do not exceed 3.5% of the AWP of the products for which rebates are payable to Express Scripts.

- 4. <u>Formulary Support Programs</u>. Express Scripts does not receive manufacturer funding for product-specific PBM formulary support programs. Express Scripts will continue to provide formulary support programs to its clients but without targeted manufacturer funding for these services.
- 5. Other Manufacturer Revenues. Certain subsidiaries of Express Scripts, including Phoenix Marketing Group, CuraScript Pharmacy, Inc. and Express Scripts Specialty Distribution Services, provide services to pharmaceutical manufacturers that are separate from the rebate and formulary support programs discussed above. Examples of these manufacturer services include product sample accountability and distribution, point-of-sale coupon program design and implementation, pharmaceutical care services, and specialty pharmaceutical product distribution. In addition, Express Scripts occasionally provides educational seminars regarding the PBM in Justry to representatives of certain pharmaceutical manufacturers and others. Compensation paid to Express Scripts or any of its subsidiaries for these types of services is based on the fair market value of the services rendered.

March, 2004

THIS EXHIBIT REPRESENTS ESI'S CURRENT FINANCIAL POLICIES. THIS EXHIBIT MAY NOT BE REVISED OR MODIFIED. ESI MAY PERIODICALLY UPDATE ITS FINANCIAL DISCLOSURES TO REFLECT CHANGES IN ITS BUSINESS PROCESSES.

Except as expressly provided herein, the terms and conditions of the Agreement shall remain in full force and effect. In the event of a conflict between this Amendment and the Agreement, the terms of this Amendment shall prevail.

Choice of Law. This Amendment shall be construed by and governed in all respects according to the laws of the state indicated in the Agreement

[remainder of page intentionally left blank]

IN WITNESS WHEREOF,	
EXPRESS SCRIPTS, INC:	
David Lowenberg, Chief Operating Officer	DATE
STATE OF TENNESSEE, DEPARTMENT OF FINANCE AND	DMIASTRATION
M.D. Goetz, Jr. Commissioner	DATE
APPROVED:	
DEPARTMENT OF FINANCE AND ADMINISTRATION:	
M.D. Goetz Jr., Commissioner	DATE
COMPTROLLER OF THE TREASURY:	
John G. Morgan, Comptroller of the Treasury	DATE

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317.15-004-05										
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Finance and Administration						·	Laurie Lee 3-2861			
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No change	<u>in servi</u>	ce. Reduction	OT IVIED	ximum Liability tract End Date	Orny.	SUBRECIPIEN	NT or VENDOR?	CFDA#		
	ct Begin I	Jate		06/30/06		Ve	ndor			
	7/01/05					·				
Mark, if Stat	ement is	THUE				Contracto	r's Form W-9 is on	file in Accounts as required		
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317.1				ederal	Inte	rdepartmental	Other	TOTAL Contract Amount		
FY		,364,000.00	<u> </u>	· <u> </u>				\$64,364,000.00		
2006		(10,000,000)						(\$10,000,000)		
2006 TOTAL:					-			\$54,364,000.00		
<b>FY</b> 2006	<u> </u>	mendments 64,364,000.00		(10,000,000)	741	hville, TN 37243 -6070 te Agency Budge	et Officer Approva			
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					Fur a ba	lance in the approp	se encumbered to pa	red by T.C.A., § 9-4-5113, that there is cobligated expenditure is required to be cobligations previously incurred)		
TOTAL:	8 8	64,364,000.00		(\$10,000,000		FE	B 1 0 2006			
End Date:	+	06/30/06	<del>                                     </del>	<b>-06/30/0</b> 6>	1_	DIRECTO	R OF ACCOUN			
Contractor	`									
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RF	- <b>P</b>	on Method	tion.		mpetit	ive Negotiation		Alternative Competitive Method Other		
		etitive Negotia								
Procurem	ent Proc	ess Summary	n Liahilih	v of the current co	ontract a	and does not alter o	r add to the services	currently in place. Utilization projections procurement is required.		
This Amend for the rema	ament redu ainder of th	ices the Maximum ie contract suppo	rt reduci	ng the maximum	liability	with no change in s	ervice. Therefore, no	procurement is required.		

#### AMENDMENT 4 TO CONTRACT FA-06-16458-00

This Contract, by and between the State of Tennessee, Department of Finance and Administration, hereinafter referred to as the State, and Express Scripts, Inc., hereinafter referred to as the "Contractor", is hereby amended, effective as of December 21, 2005 ("Effective Date"), as follows:

- 1. Delete Section C 1. and replace it in its entirety with the following:
- C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Fifty-four Million Three Hundred Sixty-four Thousand Dollars (\$54,364,000); inclusive of payment for pharmaceuticals. The Service Rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The Service Rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the Service Rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

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	IN WITNESS WHEREOF:	
	EXPRESS SCRIPTS, INC:	
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	DEPARTMENT OF FINANCE AND ADMINISTRATION	<b>N:</b>
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This Amendment sets up a pharmacy network to provide eligible TennCare disenrollees with the generic drugs available on the Rx Outreach formulary through their retail pharmacy. In addition, insulin and diabetic supplies will be available through this same network. The Amendment also enables payment for lithium and Depakote on the formulary for pharmacy assistance for the severely and persistently mentally ill (SPMI).										ork.
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The Department determined that the requirements for program integration with existing services and need for quick implementation made Express Scripts the best atternative for providing these services. Specifically, the addition of the generic patient assistance, Rx Outreach, through a retail network requires collaboration with the existing Rx Outreach program, which is only offered by Express Scripts. The addition of the mood stabilizers will be added to the existing SPMI supplemental assistance card for the severely and persistently mentally ill, currently administered through the Express Scripts contract. In addition, the ability to implement both an eligibility and communication system for this program quickly necessitated the use of the current vendor, who has these systems already in place specifically for the disenrolled TennCare population.

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